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background notes

Indonesia



United States Department of State
Bureau of Public Affairs

April 1989



Official Name:
Republic of Indonesia

PROFILE

Geography

Area: 2.0 million sq. km. (736,000 sq. mi.), about the size of Alaska and California combined, 3.2 million sq. km. sea area. **Cities:** *Capital*—Jakarta (1988 est. pop. 8.8 million). *Other cities* (1987 est.)—Surabaya 3.5 million, Medan 1.7 million, Bandung 1.4 million, Semarang 1.1 million. **Terrain:** More than 13,500 islands, the larger ones consisting of coastal plains with mountainous interiors. **Climate:** Equatorial but cooler in highlands.

People

Nationality: *Noun and adjective*—Indonesian(s). **Population** (1988): 175 million. **Annual growth rate:** 2.1%. **Ethnic groups:** Javanese, Sundanese, Madurese, coastal Malays, many others. **Religions:** Muslim 88%, Protestant 6%, Catholic 3%, Hindu 2%, Buddhist and other 1%. **Languages:** Indonesian (official), local languages, the largest of which is Javanese. **Education:** *Years compulsory*—6. *Enrollment*—84% of eligible primary school-age children. *Literacy* (1988)—85%. **Health:** *Infant mortality rate*—581,000. *Life expectancy*—male: 61 yrs.; female 64.7 yrs. **Work force** (74.5 million, 1988): *Agriculture*—56%, *industry and commerce*—23%, *Services*—16%, *Civil service*—2%.

Government

Type: Independent republic. **Independence:** August 17, 1945. **Constitution:** 1945.

Branches: *Executive*—president (head of government and chief of state). *Legislative*—500-member House of Representatives (DPR), 1,000-member People's Consultative Assembly (MPR). *Judicial*—Supreme Court. Under the 1945 constitution, two other government bodies are considered branches of government on the same level as the executive, legislative, and judicial branches. The Supreme Audit Board (BPK) examines government accounts, and the Supreme Advisory Council (DPA) advises the president on matters of state.

Subdivisions: 27 provinces divided into 246 districts and 55 municipalities.

Political parties: Golkar (functional groups), Indonesian Democracy Party (PDI), United Development Party (PPP). **Suffrage:** Universal over 18, and married persons regardless of age (except members of the armed forces who do not vote).

Central government budget (1989-90): \$21.1 billion.

National holiday: Independence Day, August 17.

Flag: Divided horizontally, top red, bottom white.

Economy

GDP (1988 est.): \$75.4 billion. **Annual growth rate** (1988 est.): 4.2%. **Per capita income:** \$435. **Inflation rate** (1988 est.): 6.9%.

Natural resources: Oil, tin, natural gas, nickel, timber, bauxite, copper.

Agriculture (24% of GDP): *Products*—rubber, rice, palm oil, coffee, sugar. *Land*—8.6% cultivated.

Industry (37% of GDP): *Types*—food and beverages, textiles, cement, fertilizer, light manufacturing, wood processing, minerals, and petroleum (18% of GNP).

Trade (1987): *Exports*—\$17.1 billion: oil, natural gas, plywood, rubber, tin, tea, coffee. *Major markets*—Japan, US, Singapore. *Imports*—\$12.4 billion: food, chemicals, crude petroleum and petroleum products, capital goods, consumer goods. *Major suppliers*—Japan, US, Thailand.

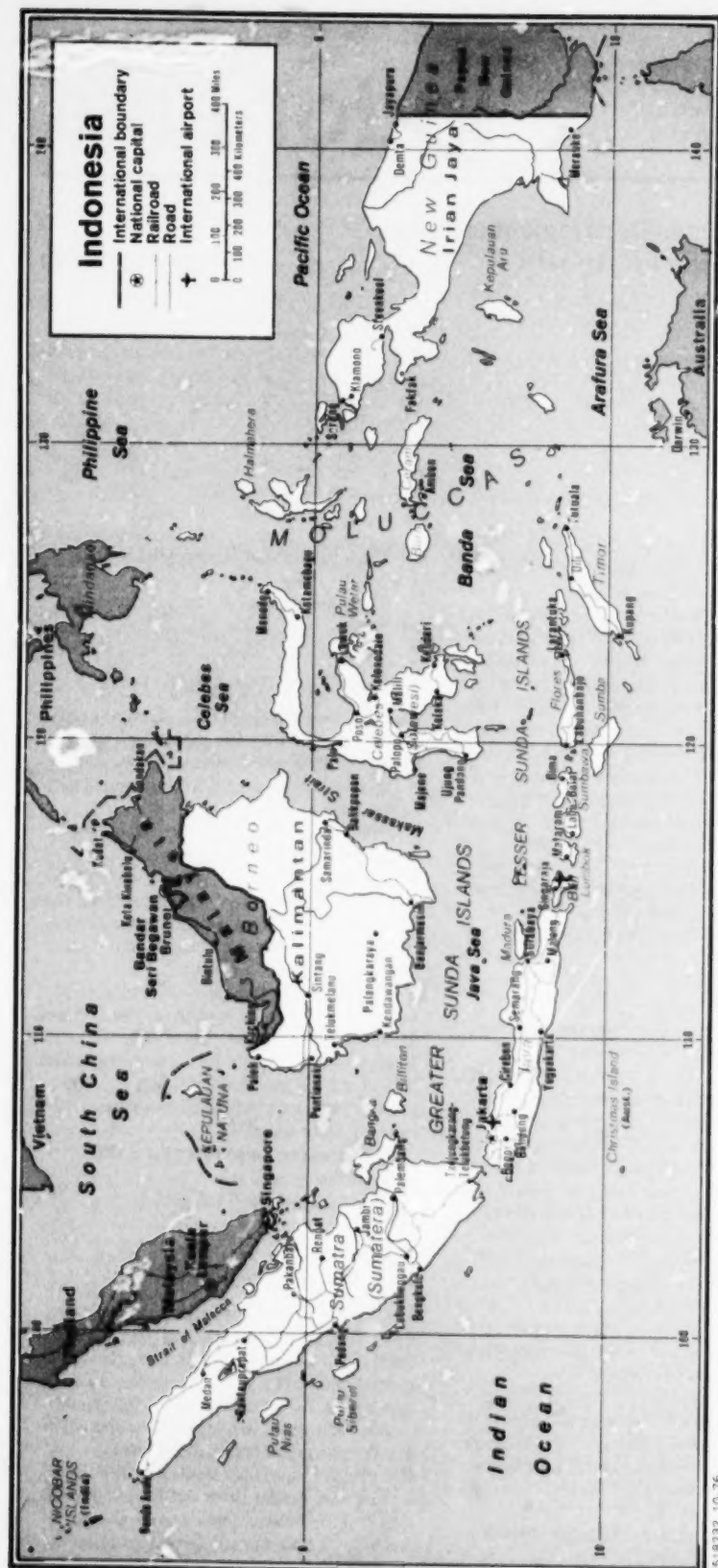
Official exchange rate (April 1989): 1,759 rupiahs = US\$1.

Fiscal year: April 1-March 31.

Membership in International Organizations

UN and some of its specialized and related agencies, including the General Agreement on Tariffs and Trade (GATT), International Monetary Fund (IMF), World Bank; Association of South East Asian Nations (ASEAN); Non-aligned Movement; Organization of the Islamic Conference (OIC); Organization of Petroleum Exporting Countries (OPEC); Asian Development Bank (ADB); INTELSAT; Group of 77; International Atomic Energy Agency (IAEA); Islamic Development Bank (IDB); and others.

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GEOGRAPHY

The Republic of Indonesia is an archipelago of more than 13,500 islands extending 4,800 kilometers (3,000 mi.) along the Equator from the mainland of Southeast Asia to Australia. The archipelago forms a natural barrier between the Indian and Pacific Oceans, making the straits between the islands strategically and commercially important. Consisting of the territory of the former Netherlands East Indies and the former Portuguese Timor, Indonesia's main islands are Sumatra, Java, Sulawesi (formerly Celebes), Kalimantan (the Indonesian part of the island of Borneo), and Irian Jaya (the western part of the island of New Guinea). The republic shares land borders with Malaysia and Papua New Guinea and sea borders with Australia, India, Singapore, Vietnam, the Philippines, and the U.S.-administered Trust Territory of the Pacific Islands.

Although Indonesia has an equatorial climate, it is mountainous and volcanic, and the upland areas on the principal islands provide a temperate contrast to the constant heat of the lowlands.

PEOPLE

Indonesia's 175 million people make it the world's fifth most populous nation. Java is one of the most densely populated areas in the world, with more than 105 million people living in an area the size of New York State.

Indonesia includes numerous related but distinct cultural and linguistic groups, many ethnically Malay. Since independence, Indonesian (the national language, a form of Malay) has spread throughout the archipelago and has become the language of all written communication, education, government, and business. However, local languages are still important in many areas. English is the most widely spoken foreign language.

Education is free and compulsory for children between ages 6 and 12, and about 95% of eligible children are enrolled in primary school, although a much smaller percentage attend full time. About 45% of secondary school-age children attend junior high school, and some others of this age group attend vocational schools.

Constitutional guarantees of religious freedom apply to the five religions recognized by the state: Islam, Catholicism, Protestantism, Buddhism, and

Hinduism. The Indonesian population is predominantly Muslim (88%). Some 9% of the people are Christian, while the island of Bali retains its Hindu heritage. In some remote areas animism is still practiced.

HISTORY

In the 15th century, when the Renaissance was just pulling Europe from the Middle Ages, the islands of Java and Sumatra already had a 1,000-year heritage of advanced civilization, which spanned two major empires. During the 7th-14th centuries, the Buddhist kingdom of Srivijaya flourished on Sumatra. At its peak, the Indianized Srivijaya Empire reached as far as West Java and the Malay Peninsula. By the 14th century also, the Hindu Kingdom of Majapahit had risen in eastern Java. Gadjah Mada, the chief minister who virtually ruled the empire from 1331-64, succeeded in gaining allegiance from most of what is now modern Indonesia and much of the Malay archipelago as well. Legacies from Gadjah Mada's time include a codification of law and an epic poem.

Islam arrived in Indonesia in the 12th century and had almost wholly supplanted Hinduism by the end of the 16th century in Java and Sumatra. Bali, however, retains its Hindu heritage to this day. In the eastern archipelago, both Christian and Islamic proselytizing took place in the 16th and 17th centuries and, currently, there are large communities of both religions on these islands. The Islamization of Indonesia was, in general, a process of gradual assimilation rather than violent conquest.

Beginning in 1602 the Dutch, exploiting the weakness of the fragmented small kingdoms that were the heirs of Majapahit, slowly established themselves as rulers of all the islands of present-day Indonesia, except the eastern half of the island of Timor, which Portuguese authorities occupied until 1975. During their 300-year rule (interrupted only by a brief British interregnum during the Napoleonic period), the Dutch developed the Netherlands East Indies into one of the world's richest colonial possessions.

The Indonesian independence movement began during the first decade of the 20th century and expanded rapidly between the two World Wars. Its leaders came from a small group of young professional men and students, some of whom had been educated in the Netherlands. Many were imprisoned for their political activities, including Indonesia's first president, Sukarno.

The Japanese occupied Indonesia for 3 years during World War II and, for their own purposes, encouraged a nationalist movement. Many Indonesians took up positions in the civil administration, which had been closed to all but token ruling nobles under the Dutch. On August 17, 1945, 3 days after the Japanese surrender, a small group of Indonesians, led by Sukarno, proclaimed independence and established the Republic of Indonesia. Dutch efforts to reestablish complete control met strong resistance from the new republic. After 4 years of warfare and negotiations, the Dutch transferred sovereignty to a federal Indonesian entity in 1949. U.S. diplomatic efforts were instrumental in helping Indonesia to achieve independence. In 1950, Indonesia became the 60th member of the United Nations.

At the time of independence, the Dutch retained control over the western half of New Guinea, known as West Irian. Negotiations with the Dutch on the incorporation of West Irian into Indonesia failed, and armed clashes broke out between Indonesian and Dutch troops in 1961. In August 1962, the two sides reached an agreement, and Indonesia assumed administrative responsibility for West Irian on May 1, 1963. An Act of Free Choice, held in West Irian under UN supervision in 1969, confirmed the transfer of sovereignty to Indonesia.

For more than four centuries, until 1975, East Timor was a Portuguese colony. As a result of political events in Portugal, Portuguese authorities abruptly withdrew from Timor in 1975, exacerbating power struggles among several Timorese political factions. An avowedly Marxist faction called "Fretilin" achieved military superiority. Fretilin's ascent in an area contiguous to Indonesian territory alarmed the Indonesian Government, which regarded it as a threatening movement. Following appeals from some of Fretilin's Timorese opponents, Indonesian military forces intervened in East Timor and overcame Fretilin's regular forces. Indonesia declared East Timor its 27th province in 1976.

Shortly after hostilities with the Dutch ended in 1949, Indonesia adopted a new constitution providing for a parliamentary system of government in which the executive was chosen by and made responsible to parliament. Parliament

was divided among many political parties before and after the country's first nationwide election in 1955, and stable governmental coalitions were difficult to attain. Unsuccessful rebellions in Sumatra, Sulawesi, and other islands beginning in 1958 and a long succession of short-lived national governments discredited the parliamentary system so that President Sukarno met little opposition when, in 1959, he reinstated by decree the 1945 constitution, which provided for broad presidential authority.

During the early 1960s, President Sukarno moved rapidly to impose an authoritarian regime under the label of "Guided Democracy." Concurrently, he pushed Indonesia's foreign policy toward what became, after the 1955 meeting in the Indonesian city of Bandung, the Non-aligned Movement. He closely worked with Asian communist states and increasingly favored the Indonesian Communist Party (PKI) in domestic affairs.

By 1965, the PKI controlled many of the mass organizations that Sukarno had established to mobilize support for his regime and, with Sukarno's acquiescence, embarked on a campaign to establish a "fifth armed force" to arm its supporters. Army leaders resisted this campaign. On October 1, 1965, PKI sympathizers within the military, including elements from Sukarno's palace guards, occupied key locations in Jakarta and kidnapped and murdered six senior generals.

The army liquidated the plotters within a few days, but unsettled conditions persisted through 1966. Violence swept throughout Indonesia. Rightist gangs killed tens of thousands, perhaps more than 100,000 alleged communists in rural areas. The violence was especially brutal in Java and Bali. The emotions created by this crisis persist today.

After the failed coup, President Sukarno vainly attempted to restore his political position and shift the country back to its pre-October 1965 position. Although he remained president, in March 1966, Sukarno had to transfer key political and military powers to Gen. Soeharto, the officer who had rallied the military to defeat the coup attempt. In March 1967, the People's Consultative Assembly (MPR) named Gen. Soeharto acting president. Sukarno ceased to be a political force and lived quietly until his death in 1970.

President Soeharto proclaimed a "New Order" in Indonesian politics and dramatically shifted foreign and domestic policies away from the course of the final years of Sukarno's government. The New Order set economic rehabilitation

and development as its primary goals and pursued its policies through an administrative structure dominated by the military but with advice from Western-educated economic experts.

In 1968, the MPR formally elected Soeharto to a full 5-year term as president, and he was reelected to additional 5-year terms in 1973, 1978, 1983, and 1988. Parliamentary elections held in 1987 gave a 73% majority to Golkar, a federation of groups—civil servants, youth, labor, farmers, and women—which, in effect, operates as a government political party.

GOVERNMENT AND POLITICAL CONDITIONS

Indonesia is a republic based on the 1945 constitution providing for a limited separation of executive, legislative, and judicial power. The president, elected for a 5-year term, is the overwhelmingly dominant government and political figure.

The president appoints the cabinet, currently composed of three coordinating ministers (in the fields of political and security affairs, economic affairs, and people's welfare), 8 state ministers, 20 ministers, and 6 junior ministers, and 3 high-ranking nonministerial figures.

Although constitutionally the judiciary is a separate branch of government, in practice, judges are employees of, and beholden to, the executive branch.

Legislative authority is divided between the House of Representatives (DPR) and the People's Consultative Assembly (MPR), both renewed every 5 years. The House, with 400 elected and 100 appointed members, performs legislative functions, although not in the manner of similar bodies in Western democratic systems. The MPR, consisting of the House plus an equal number of appointed members, meets only once in its 5-year term, to formulate the overall principles and aims of the government and to elect the president and vice president. Representative bodies at all levels in Indonesia shun voting, preferring to arrive at decisions through "consultation and consensus."

The party system reflects the Soeharto government's determination to shift the political focus from Indonesia's deep ethnic and religious differences, which caused the collapse of an earlier experiment in parliamentary democracy, to an authoritarian, program-based, development-oriented politics. In 1973, a large number of disparate parties, some

representing ethnic and religious constituencies, were amalgamated into two new organizations—the United Development Party (PPP), composed of various Muslim groups; and the Indonesian Democracy Party (PDI), composed of Christian, socialist, and nationalist elements. Appointed parliamentary members from the military and the government Golkar organization dominate the House and the MPR.

The armed forces have shaped and staffed Soeharto's New Order since it came to power in the wake of the abortive 1965 uprising. Military officers, especially from the army, have been key advisers to Soeharto and have great influence on policy. Under the *dwi fungsi* (dual function) concept, military officers serve in the civilian bureaucracy at all government levels.

Indonesia is divided into 27 provinces and subdivided into 246 districts and 55 municipalities. The governors of provinces are appointed by the president from nominees submitted by the provincial legislatures. The executive branch also may reject all of a provincial legislature's nominees and request it to submit a new list of candidates.

Principal Government Officials

President—Soeharto

Vice President—Sudharmono

Armed Forces Commander—Try Sutrisno

Minister of State/State Secretary—Moerdiono

Coordinating Ministers

Politics and Security—Sudomo

Economics, Finance, and Industry—RADIUS Prawiro

Public Welfare—Soepardjo Roestam

Other Ministers

Foreign—Ali Alatas

Home—Rudini

Defense—L.B. Moerdani

Information—H. Harmoko

Justice—Ismail Saleh

Finance—J.B. Sumarlin

Trade—Arifin Siregar

Mining and Energy—Ginandjar

Kartasasmita

Industries—Hartarto

Minister of State for Research and

Technology—B.J. Habibie

Education and Culture—Fuad Hassan

Manpower—Cosmas Batubara

Tourism, Post and

Telecommunications—

Soesilo Soedarman

Ambassador to the United States—

A.R. Ramly

Ambassador to the United Nations—

Nana Sutresna

ECONOMY

Indonesia endured a difficult economic period in the early 1980s but has successfully overcome these challenges and appears set to enter the 1990s an economically stronger and more dynamic nation. During the 1970s, the Indonesian economy was marked by high oil revenues and an industrial policy aimed at protecting domestic industries. In response to lower energy earnings, the Indonesian Government, starting in 1983, but intensifying its efforts since 1986, embarked upon an ambitious program of eliminating regulatory obstacles to economic activity. For the most part, these steps have been directed at the external and financial sectors and are designed to stimulate growth in nonoil exports and nonoil government revenues, and to strip away import substitution barriers.

Major deregulation steps have included:

1983—removal of bank credit ceilings and controls on state banks' interest rates, changes in the funding role of the central bank, and adoption of measures to strengthen the money market;

1985—simplified personal and corporate tax laws, the introduction of a value added tax (VAT), and an overhaul of customs procedures;

1986—changes in trade regulations designed to allow exporters to import more easily raw materials or receive rebates on duties, and an opening of more industries to foreign investors;

1987—simplification of licensing procedures, a cut in the number of import monopolies, simplification of stock exchange rules; and,

1988—simplification of the process for approval of large government purchases, elimination of the 25-year scrapping rule on ships serving Indonesian waters, opening the maritime industry, sweeping bank reform, and more reductions in import monopolies, including the removal of import restrictions on plastics.

Indonesian successes, however, have not been limited to deregulation steps. The devaluations of 1983 and 1986 resulted in important competitive gains for Indonesian exports. Those gains have been maintained via low inflation and a gentle downward float against the dollar.

Unemployment and underemployment are a matter of national concern. More than 2.3 million new jobs a year must be created just to keep up with the number of new job entrants in the work force. In order to achieve this job creation goal, the government has set a target for real economic growth of 5% per

year for the current (1989-94) 5-year plan (Repelita V), which relies largely on a major increase in investment. Repelita V calls for the private sector to create many of these new jobs and provide 55% of the new investment. Previous plans placed much greater reliance on the government to be the primary generator of the investment and jobs needed to keep Indonesia growing. The decision to allow the private sector to assume these roles marks a major policy change.

The Indonesian Government is dealing successfully with servicing the country's external debt. Indonesia has a larger unrescheduled external debt than any other developing country—more than \$50 billion at the end of 1988. Service payments on the official portion of that total—almost 80%—are current on both principal and interest. The President and many members of his cabinet frequently reaffirm their commitment to keep Indonesia current on its external debt. Furthermore, with a convertible rupiah, private debtors, who are financially sound, face no obstacle in meeting their foreign-debt obligation. This enviable record has been maintained at considerable cost. Since 1984, government operating budgets have been severely constrained—civil servants and the military did not receive pay increases for 3 years—and development budgets have been cut in real terms. Yet, despite this belt-tightening, Indonesia's economic performance has been better over the past 5 years (1983-88) than most other highly indebted developing countries.

Oil and Minerals Sectors

The oil and minerals sectors have been critical to Indonesia's economic development. Although comprising only 21% of the country's gross national product, these sectors contribute about half its foreign exchange earnings and half the government's tax revenues. Before the fall in oil prices, these sectors accounted for nearly 80% of export earnings and 70% of government revenues.

These sectors have been the focal point of foreign participation in the Indonesian economy. Indonesia's constitution decrees total sovereignty to the state over mineral resources. Therefore, foreign companies must operate as contractors to the government or one of its state enterprises. Since the advent of the oil-production sharing contract (PSC) in 1967, 144 contracts have been signed between Pertamina, the state oil company, and foreign contractors. Seventy-eight of these PSCs currently are in effect with

46 foreign operators and even more foreign partners. Twenty contract areas produced more than 1.3 million barrels of oil per day and a total of 869 trillion BTUs of liquefied natural gas (LNG) during 1988. About 755,000 barrels of oil per day were exported as well as all of the LNG. American oil companies have developed 80% of Indonesia's oil and gas resources. Indonesia is an active member of the Organization of Petroleum Exporting Countries (OPEC).

The country's major oil fields are maturing. With domestic demand for petroleum fuels expanding, Indonesia faces becoming a net importer of oil by the early 21st century unless new reserves are found. The number of new contract areas under agreement has increased, and the government has announced additional contract incentives to encourage greater exploration. Proven oil reserves are reported at 8.25 billion barrels of oil and 84 trillion cubic feet of gas. Development of additional refinery capacity for product export, expansion of LNG facilities, and increased domestic gas utilization also are expected.

Nonoil minerals have had a resurgence of activity during 1987-88 associated with an improving market for traditional exports—tin, copper, nickel, and a mini-goldrush attracting 103 new contracts of work for precious metal exploration. Over the next 5 years the strongest mineral growth will be in coal, with production by 1994 expected to expand five-fold to more than 15 million tons per year, including nearly half for export. U.S. companies involved in minerals include Freeport Minerals in copper, Pennzoil in gold, and Mobil in coal.

Investment

According to statistics from the Indonesian Investment Coordinating Board (BKPM), nonoil and gas foreign investment approvals totaled \$1.5 billion in 1987 and \$4.4 billion in 1988. Three large projects dominate the 1988 statistics: U.S. and Taiwanese pulp and paper projects and a West German petrochemical project. The chairman of BKPM estimates 80% of approved projects are realized.

Over the past few years, Indonesia has made numerous changes in its regulatory framework to improve the business climate and encourage increased foreign investment. In addition to the de-regulation steps, reform measures that have eased business practices in Indonesia include: reliance on the Swiss surveyor, Societe Generale de Surveillance, for preshipment inspection of goods destined for Indonesia, which has speeded

Indonesian Missions in the United States

Indonesian Embassy
2020 Massachusetts Avenue NW
Washington, D.C. 20036
Tel. 202-775-5200

Consulate General—New York
5 East 68th Street
New York, NY 10021
Tel. 212-879-0600

Consulate General—Los Angeles
3457 Wilshire Blvd.
Los Angeles, CA 90010
Tel. 213-383-5126

Consulate General—Houston
1990 Post Oak Blvd.
Suite 1900
P.O. Box 55
Houston, TX 77056
Tel. 713-785-1691

Consulate—San Francisco
1111 Columbus Avenue
San Francisco, CA 94133
Tel. 415-474-9571

Consulate—Chicago
2 Illinois Center
Suite 1422
233 N. Michigan Avenue
Chicago, IL 60601
Tel. 312-938-0101

customs clearance; reduction of licensing requirements necessary to do business in Indonesia; extension of the time period within which foreign investments must shift to majority Indonesian ownership; and permission of foreign joint ventures to distribute their own products up to the retail level.

According to the August 1988 U.S. Survey of Current Business, total U.S. investment in Indonesia is \$3.9 billion, of which \$1.2 billion is in the oil and gas sectors.

FOREIGN RELATIONS

Since its first years as a new nation, Indonesia has espoused a "free and active" foreign policy, seeking to play a prominent role in Asian affairs commensurate with its size and location but avoiding involvement in conflicts among major powers.

While maintaining this position, Indonesian foreign policy under the New Order government of President Soeharto has swung away from the stridently anti-Western, anti-American posturing of the

Sukarno era. Indonesia preserves a historically based nonaligned position while seeking constructive, responsible relations with many nations.

A cornerstone of Indonesia's modern foreign policy is its participation in the Association of Southeast Asian Nations (ASEAN), of which it was a founding member in 1967 with Thailand, the

Travel Notes

Climate and clothing: Indonesia is hot and humid year round, with an average temperature of 27 °C (80 °F) and average humidity of 83% during the rainy season (November–April) and 75% the rest of the year. Lightweight cotton and synthetic clothes are worn year round, with two changes per day frequently required.

Customs: Visas are not required of tourists staying less than 60 days who arrive at recognized international airports or seaports. Most of Indonesia's popular destinations, including Jakarta and Bali, are recognized international entry points, but those planning to enter Indonesia at other points or planning a stay longer than 60 days should obtain visas from the Indonesian Embassy or consulates in the United States. No immunizations are required for entry.

Health: The general level of sanitation and health is below US standards. Tuberculosis, malaria, dengue fever, hepatitis A and B, typhoid fever, cholera, parasitic, and some sexually transmitted diseases are prevalent. Five cases of AIDS have been officially reported in Indonesia. The prudent traveler can avoid most or all health hazards, however, by taking care in eating and drinking and, if recommended by a physician, taking preventive measures, such as immunizations. Malaria suppressants are recommended for those traveling outside of Jakarta, Medan, Surabaya, and the southern tourist areas of Bali. Sanitary standards in Indonesia's international-class hotels are adequate to excellent.

Although doctors are less numerous and less well-trained than in the United States, adequate routine medical care is available in all major cities. Emergency services are inadequate outside major cities. US brands of non-prescription drugstore items are scarce, but Indonesian brands and some European equivalents are available.

Telecommunications: Although local telephone service is irregular, satellite service to the United States, is generally good. Indonesia spans three time zones and Jakarta time is 12 hours ahead of eastern standard time.

Transportation: Metered taxis are available in most major cities. Bus service is generally overcrowded, and pedicabs and motorized pedicabs can be dangerous. Increasing numbers of thefts have been reported on public transport, especially in Jakarta and Bali. There is interurban rail service on Java. Garuda Indonesia Airways, and local airlines provide domestic service between most cities.

Philippines, Malaysia, and Singapore (Brunei became ASEAN's sixth member in 1984). The organization promotes regional economic, social, and cultural advancement. Reacting to the crisis in Southeast Asia after Vietnam's invasion of Kampuchea, ASEAN emerged in 1979 as an important, consolidated voice in the United Nations and other international forums.

Indonesia also was one of the founders of the Nonaligned Movement and voices a moderate position in its councils. In 1988, Indonesia was a leading candidate to assume the movement's leadership, which eventually went to Yugoslavia. Indonesia has the world's largest Muslim population but is not an Islamic state. It is a member of the Organization of the Islamic Conference. Indonesia carefully considers the interests of Islamic solidarity when making foreign policy decisions, particularly when Middle Eastern issues are concerned.

Since 1966, Indonesia has welcomed and maintained close relations with the United States, West European countries, Australia, and Japan, from which, through the Intergovernmental Group on Indonesia (IGGI), it has received most of the assistance for its economic recovery. President Soeharto has made several visits to the United States.

Indonesia maintains correct diplomatic relations with the Soviet Union and with other communist countries, except the People's Republic of China. Indonesia suspended relations with China in 1967, because of suspected Chinese involvement in the 1965 abortive coup. In February 1989, President Soeharto met with the Chinese Foreign Minister in Tokyo and announced Indonesia and China would take steps to normalize relations.

Beyond Asia, Indonesia participates in international economic organizations, including the Group of 77 and OPEC, in which it takes a moderate position.

DEFENSE

Indonesia's armed forces total about 420,000 members, including the national police and the traditional services (army, navy, marines, and air force). The army is by far the largest, with 220,000 active-duty personnel. Various paramilitary, civil defense, and other auxiliary units supplement the official armed forces.

The Indonesian military historically has viewed itself as a unifying force among the various ethnic, religious, and

political elements in Indonesia. Thus, the military views its prime mission as safeguarding internal security. The president, vice president, and almost one-third of the cabinet have military backgrounds. Furthermore, active duty and retired military occupy a large number of seats in the House and the MPR. Under the *dwi fungsi* doctrine, numerous military personnel occupy positions in regional government. Commanders of the various territorial commands also are very influential in the politics of their respective regions. Local military units can and do respond quickly and forcefully to security disturbances.

Indonesia has no enemies among its neighbors, and the military does not emphasize developing a significant capability to project power. Economic development has taken priority over the military budget in the Soeharto years. Recently, however, the armed forces have undertaken some small but significant improvements of their external capabilities.

U.S.-INDONESIAN RELATIONS

Since the early years of the Soeharto government, U.S. relations with Indonesia have been close and cordial. Indonesia maintains an independent foreign policy, but the two countries' interests often are compatible. The United States supports the Indonesian Government's plans for economic development.

The United States and Indonesia have no formal security agreements. The United States supports the goal of a stable, secure, and independent Indonesia and maintains a dialogue with the Indonesian Government on threats to regional security. The U.S. military assistance program reflects this concern.

Economic Relations With the United States

U.S.-Indonesian trade in 1988 totaled \$4.6 billion. U.S. imports were \$3.5 billion, consisting mostly of oil, rubber, coffee, tin, spices, tea, plywood, and textiles. U.S. exports to Indonesia totaled \$1.1 billion and included agricultural products (wheat, soybeans, and cotton), resins, aircraft and parts, and earth-moving equipment. Best export sales opportunities for U.S. firms are avionics and ground-support equipment, electrical and telecommunication equipment, office machines, gasoline and diesel engines, and agricultural and food processing machinery.

The U.S. Government offers insurance and guarantees from the Export-Import Bank for shipments to Indonesia. In addition, the Overseas Private Investment Corporation provides specific risk and extended risk guarantees for U.S. investment in Indonesia. A number of American banks have branches in Jakarta. The Commercial Section of the U.S. Embassy in Jakarta as well as the U.S. Consulates in Medan and Surabaya maintain an active schedule of trade promotion events.

Economic assistance to Indonesia is coordinated through the IGGI formed in 1967 to help the new Indonesian Government find external financing for its development program. The IGGI includes Indonesia, 14 other countries, the World Bank, the International Monetary Fund, and the Asian Development Bank. IGGI members pledged \$4 billion in assistance to Indonesia at their 1988 meeting. Japan is the largest bilateral donor, with a 1988 pledge of \$2.3 billion. The United States pledged \$90 million for 1988.

U.S. economic assistance is planned in cooperation with the Indonesian Government and supports both countries' interests in trade, investment, and employment by addressing the major inhibitors to Indonesia's economic growth. The goal of U.S. assistance to Indonesia is to improve long-term, sustainable employment and income opportunities through means that promote economic efficiency and productivity.

The United States provides a modest level of military assistance to Indonesia. The current assistance program comprises five elements: foreign military sales (FMS), foreign military sales financing, military assistance program, direct commercial sales, and the international military and education training (IMET) programs. IMET grant aid averages about \$1.9 million annually and is used to finance Indonesian professional and technical military training in the United States and Indonesia. Indonesia received a \$4 million FMS credit loan in

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For information on economic trends, commercial development, production, trade regulations, and tariff rates, contact the International Trade Administration, US Department of Commerce, Washington, DC 20230.

fiscal year (FY) 1988. The cost of MAP grant equipment and services provided to Indonesia since independence totals nearly \$200 million. In 1989 active FMS case values (equipment, supplies, services) totaled more than \$500 million, including major purchases of F-16 fighter aircraft, Harpoon missiles, and 105mm howitzers.

Principal U.S. Officials

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 Deputy Chief of Mission—Michael V. Connors
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 Economic Counselor—Bruce F. Duncombe
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 Commercial Counselor—Paul T. Walters

The U.S. Embassy in Indonesia is located at Jl. Medan Merdeka Selatan 5, Jakarta (tel. 360-360). U.S. mail to the Embassy may be addressed APO San Francisco, CA 96356.

The U.S. Consulate in Medan is at Jl. Imam Bonjol 13, Medan, North Sumatra (tel. 322-200). Principal officer is Donald K. Holm. The U.S. Consulate in Surabaya is at Jl. Raya Dr. Sutomo 33, Surabaya, East Java (tel. 69287/8). Principal Officer is Lee O. Coldren. ■

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